

Report on the

Talladega County Commission

Talladega County, Alabama
October 1, 2019 through September 30, 2020

Filed: November 26, 2021



Department of Examiners of Public Accounts

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Rachel Laurie Riddle, Chief Examiner



Rachel Laurie Riddle
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Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

An audit was conducted on the Talladega County Commission, Talladega County, Alabama, for the period October 1, 2019 through September 30, 2020, by Examiners Matthew Robinson and Ashley Wood. I, Matthew Robinson, served as Examiner-in-Charge on the engagement, and under the authority of the *Code of Alabama 1975*, Section 41-5A-19, I hereby swear to and submit this report to you on the results of the audit.

Respectfully submitted,

Matthew Robinson
Examiner of Public Accounts

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Department of
Examiners of Public Accounts

SUMMARY

**Talladega County Commission
October 1, 2019 through September 30, 2020**

The Talladega County Commission (the “Commission”) is governed by a five-member body elected by the citizens of Talladega County. The members and administrative personnel in charge of governance of the Commission are listed on Exhibit 21. The Commission is the governmental agency that provides general administration, public safety, construction and maintenance of county roads and bridges, sanitation services, health and welfare services and educational services to the citizens of Talladega County.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Commission complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12.

An unmodified opinion was issued on the financial statements, which means that the Commission’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2020.

AUDIT FINDING

An instance of noncompliance relative to federal assistance programs was found (Exhibit 24) and it is summarized below:

- ◆ 2020-001 relates to the Commission claiming reimbursement from the Coronavirus Relief Funds in excess of allowable amounts.

EXIT CONFERENCE

Commission members and administrative personnel, as reflected on Exhibit 21, were invited to discuss the results of this report at an exit conference held at the offices of the County Commission. Individuals in attendance were: County Administrator: Patricia Lyle and Commissioners: Kelvin Cunningham, Tony Haynes, and Malley Limbaugh. A telephone conference was held with Greg Atkinson, Commissioner. Also in attendance were representatives from the Department of Examiners of Public Accounts: BriAnna Upchurch, Audit Manager; Matthew Robinson, Examiner; and Ashley Wood, Examiner.

Independent Auditor's Report

Independent Auditor's Report

Members of Talladega County Commission and County Administrator
Talladega, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Talladega County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Talladega County Commission's basic financial statements as listed in the table of contents as Exhibits 1 through 11.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Talladega County Commission, as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of Changes in the Employer's Net Pension Liability, the Schedule of Changes in the Employer's Other Postemployment Benefits (OPEB) Liability, the Schedules of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 12 through 19), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurances on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

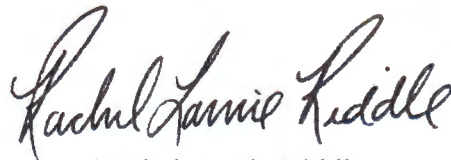
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Talladega County Commission's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 20), as required by Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 28, 2021, on our consideration of the Talladega County Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Talladega County Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the Talladega County Commission's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner

Department of Examiners of Public Accounts

Montgomery, Alabama

October 28, 2021

Basic Financial Statements

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 27,936,687.78	\$ 871,911.77	\$ 28,808,599.55
Investments	18,507,909.25	1,309,722.14	19,817,631.39
Ad Valorem Taxes Receivable	10,956,065.60		10,956,065.60
Receivables	2,784,284.67	20,090.66	2,804,375.33
Inventories	162,380.39	31,407.70	193,788.09
Total Current Assets	60,347,327.69	2,233,132.27	62,580,459.96
Noncurrent Assets			
Investment in Joint Venture		2,372,373.48	2,372,373.48
Cash with Fiscal Agent - Restricted	549,566.28		549,566.28
Capital Assets (Note 4)	45,653,585.57	1,235,539.61	46,889,125.18
Total Noncurrent Assets	46,203,151.85	3,607,913.09	49,811,064.94
Total Assets	106,550,479.54	5,841,045.36	112,391,524.90
Deferred Outflows of Resources			
Unamortized Deferred Loss on Refunding	35,501.43		35,501.43
Deferred Outflows Related to Pension Liability	1,638,498.53	21,435.70	1,659,934.23
Total Deferred Outflows of Resources	1,673,999.96	21,435.70	1,695,435.66
Liabilities			
Current Liabilities			
Accounts Payable	991,726.62	43,429.58	1,035,156.20
Unearned Revenue	301,568.58		301,568.58
Accrued Wages Payable	101,511.69	1,011.08	102,522.77
Customer Deposits		107,300.00	107,300.00
Accrued Interest Payable	382,305.21		382,305.21
Long-Term Liabilities:			
Portions Due and Payable Within One Year:			
Warrants Payable	1,295,000.00		1,295,000.00
Unamortized Premium	8,228.01		8,228.01
Long-Term Note Payable	402,747.94		402,747.94
Capital Leases	276,567.82		276,567.82
Long-Term Agreement Payable	83,425.00		83,425.00
Estimated Liability for Compensated Absences	67,297.08	1,224.28	68,521.36
Total Current Liabilities	\$ 3,910,377.95	\$ 152,964.94	\$ 4,063,342.89

Statement of Net Position
September 30, 2020

	Governmental Activities	Business-Type Activities	Total
Noncurrent Liabilities			
Portions Due and Payable After One Year:			
Warrants Payable	\$ 18,820,000.00	\$	\$ 18,820,000.00
Unamortized Premium	17,879.16		17,879.16
Capital Leases	1,873,999.52		1,873,999.52
Long-Term Agreement Payable	337,135.00		337,135.00
Estimated Liability for Compensated Absences	605,673.79	11,018.53	616,692.32
Pension Liability	5,941,112.75	78,367.25	6,019,480.00
Other Postemployment Benefits (OPEB) Payable	12,168,934.39	162,778.61	12,331,713.00
Total Noncurrent Liabilities	39,764,734.61	252,164.39	40,016,899.00
 Total Liabilities	 43,675,112.56	 405,129.33	 44,080,241.89
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	10,956,065.60		10,956,065.60
Revenue Received in Advance - Motor Vehicle Taxes	448,160.45		448,160.45
Deferred Inflows Related to Pension Liability	57,193.40	1,363.60	58,557.00
Deferred Inflows Related to OPEB Liability	8,695,297.73	116,313.27	8,811,611.00
Total Deferred Inflows of Resources	20,156,717.18	117,676.87	20,274,394.05
Net Position			
Net Investment in Capital Assets	22,994,664.55	1,235,539.61	24,230,204.16
Restricted for:			
Road Projects	9,098,328.09		9,098,328.09
Other Purposes	9,692,078.66		9,692,078.66
Permanent Trust:			
Expendable	342,473.20		342,473.20
Nonexpendable	6,928,455.98		6,928,455.98
Unrestricted	(4,663,350.72)	4,104,135.25	(559,215.47)
Total Net Position	\$ 44,392,649.76	\$ 5,339,674.86	\$ 49,732,324.62

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
<u>Governmental Activities:</u>							
General Government	\$ 9,347,302.40	\$ 3,133,725.91	\$ 1,115,677.11	\$ 463,179.18	\$ (4,634,720.20)	\$	\$ (4,634,720.20)
Public Safety	9,783,303.41	3,749,021.55	709,163.82		(5,325,118.04)		(5,325,118.04)
Highways and Roads	5,769,581.16	799,661.20	4,833,870.92		(136,049.04)		(136,049.04)
Health	96,840.00				(96,840.00)		(96,840.00)
Welfare	213,952.55		180,960.00		(32,992.55)		(32,992.55)
Interest on Long-Term Debt	869,245.16				(869,245.16)		(869,245.16)
Intergovernmental	192,361.70				(192,361.70)		(192,361.70)
Total Governmental Activities	26,272,586.38	7,682,408.66	6,839,671.85	463,179.18	(11,287,326.69)		(11,287,326.69)
<u>Business-Type Activities:</u>							
Water	844,709.54	832,469.59				(12,239.95)	(12,239.95)
Total Business-Type Activities	844,709.54	832,469.59				(12,239.95)	(12,239.95)
Total Primary Government	\$ 27,117,295.92	\$ 8,514,878.25	\$ 6,839,671.85	\$	(11,287,326.69)	(12,239.95)	(11,299,566.64)
<u>General Revenues:</u>							
Taxes:							
Property Taxes for General Purposes					8,619,453.32		8,619,453.32
Property Taxes for Specific Purposes					3,455,845.98		3,455,845.98
County Sales and Use Taxes					2,703,209.79		2,703,209.79
Miscellaneous Taxes					2,533,229.95		2,533,229.95
Interest Earned					268,399.47	5,877.82	274,277.29
Gain on Sale of Capital Assets					288,617.50		288,617.50
Investment in Joint Venture						169,067.04	169,067.04
Miscellaneous					801,868.57	971.91	802,840.48
Total General Revenues					18,670,624.58	175,916.77	18,846,541.35
Change in Net Position					7,383,297.89	163,676.82	7,546,974.71
Net Position - Beginning of Year					37,009,351.87	5,175,998.04	42,185,349.91
Net Position - End of Year					\$ 44,392,649.76	\$ 5,339,674.86	\$ 49,732,324.62

The accompanying Notes to the Financial Statements are an integral part of this statement.

Balance Sheet
Governmental Funds
September 30, 2020

	General Fund	Two Cent Trust Fund	Two Cent Bridge Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>							
Cash and Cash Equivalents	\$ 9,788,319.92	\$ 1,284,965.30	\$ 1,655,031.37	\$ 4,951,824.32	\$ 415,236.65	\$ 9,841,310.22	\$ 27,936,687.78
Cash with Fiscal Agent						549,566.28	549,566.28
Investments	3,760,986.34	5,892,009.69	7,941,899.15			913,014.07	18,507,909.25
Receivables	1,664,566.62	93,954.19	125,272.25	231,295.47		669,196.14	2,784,284.67
Ad Valorem Taxes Receivable	7,840,862.89			2,049,237.91	1,065,964.80		10,956,065.60
Due from Other Funds	259,517.50						259,517.50
Inventories				162,380.39			162,380.39
Total Assets	23,314,253.27	7,270,929.18	9,722,202.77	7,394,738.09	1,481,201.45	11,973,086.71	61,156,411.47
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>							
<u>Liabilities</u>							
Accounts Payable	116,229.07			437,272.22	106,645.19	331,580.14	991,726.62
Due to Other Funds						259,517.50	259,517.50
Unearned Revenue					301,568.58		301,568.58
Accrued Wages Payable	69,158.89			25,329.92	7,022.88		101,511.69
Total Liabilities	185,387.96			462,602.14	415,236.65	591,097.64	1,654,324.39
<u>Deferred Inflows of Resources</u>							
Unavailable Revenue - Property Taxes	7,840,862.89			2,049,237.91	1,065,964.80		10,956,065.60
Revenue Received in Advance - Motor Vehicle Taxes	355,057.56			93,102.89			448,160.45
Total Deferred Inflows of Resources	8,195,920.45			2,142,340.80	1,065,964.80		11,404,226.05
<u>Fund Balances</u>							
Nonspendable:							
Inventories				162,380.39			162,380.39
Permanent Fund Corpus		6,928,455.98					6,928,455.98
Restricted for:							
Roads and Bridges	59,561.28		8,460,586.00	47,612.49		530,568.32	9,098,328.09
Facilities Construction and Repair		342,473.20				2,947,365.35	3,289,838.55
Water Supply						2,851,865.35	2,851,865.35
Other	663,842.51					3,229,005.45	3,892,847.96
Assigned to:							
Roads and Bridges	6,600.42		1,261,616.77	4,579,802.27			5,848,019.46
Facilities Construction and Repair	3,613,656.58					31,703.03	3,645,359.61
Water Supply						266,064.37	266,064.37
Other	2,629.81					1,525,417.20	1,528,047.01
Unassigned	10,586,654.26						10,586,654.26
Total Fund Balances	14,932,944.86	7,270,929.18	9,722,202.77	4,789,795.15		11,381,989.07	48,097,861.03
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 23,314,253.27	\$ 7,270,929.18	\$ 9,722,202.77	\$ 7,394,738.09	\$ 1,481,201.45	\$ 11,973,086.71	\$ 61,156,411.47

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2020***

Total Fund Balances - Governmental Funds (Exhibit 3) \$ 48,097,861.03

Amounts reported for governmental activities in the Statement of Net Position
(Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore,
are not reported as assets in governmental funds. 45,653,585.57

Certain liabilities and deferred inflows and outflows of resources are not due and
payable in the current period and, therefore, are not reported as liabilities in the
funds. At year-end, these consisted of:

	Current	Noncurrent	
Warrants Payable	\$ 1,295,000.00	\$ 18,820,000.00	
Long-Term Notes Payable	402,747.94		
Unamortized Premium	8,228.01	17,879.16	
Unamortized Deferred Loss on Refunding	(23,667.61)	(11,833.82)	
Accrued Interest Payable	382,305.21		
Other Postemployment Benefits Payable		12,168,934.39	
Capital Leases	276,567.82	1,873,999.52	
Long-Term Agreement Payable	83,425.00	337,135.00	
Pension Liability		5,941,112.75	
Deferred Outflows Related to Pension Liability		(1,638,498.53)	
Deferred Inflows Related to Pension Liability		57,193.40	
Deferred Inflows Related to Other Postemployment Benefits Payable		8,695,297.73	
Compensated Absences	67,297.08	605,673.79	
Total Long-Term Liabilities	\$ 2,491,903.45	\$ 46,866,893.39	(49,358,796.84)

Total Net Position - Governmental Activities (Exhibit 1) \$ 44,392,649.76

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Two Cent Trust Fund	Two Cent Bridge Fund	Gasoline Tax Fund	Reappraisal Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 9,068,994.37	\$ 316,964.53	\$ 422,619.39	\$ 2,543,957.03	\$ 1,203,428.62	\$ 1,787,534.47	\$ 15,343,498.41
Licenses and Permits	671,425.43						671,425.43
Intergovernmental	5,278,788.69			2,738,261.58		2,875,464.77	10,892,515.04
Charges for Services	3,211,759.68			799,661.20		770,254.88	4,781,675.76
Miscellaneous	1,327,995.76	56,713.29	124,946.73	123,238.76	11,557.74	33,699.83	1,678,152.11
Total Revenues	19,558,963.93	373,677.82	547,566.12	6,205,118.57	1,214,986.36	5,466,953.95	33,367,266.75
Expenditures							
Current:							
General Government	4,769,077.31			358,236.42	1,023,735.59	56,774.97	6,207,824.29
Public Safety	8,691,272.22					704,469.57	9,395,741.79
Highways and Roads				3,639,533.31		1,742,486.24	5,382,019.55
Sanitation							
Health	96,840.00						96,840.00
Welfare	32,992.55					180,960.00	213,952.55
Intergovernmental	192,361.70						192,361.70
Capital Outlay	291,453.57			1,928,956.14	191,250.77	77,294.81	2,488,955.29
Debt Service:							
Principal Retirement	450,564.57			528,153.87		1,170,000.00	2,148,718.44
Interest and Fiscal Charges	2,870.16			13,961.01		846,038.14	862,869.31
Total Expenditures	14,527,432.08			6,468,840.75	1,214,986.36	4,778,023.73	26,989,282.92
Excess (Deficiency) of Revenues Over Expenditures	5,031,531.85	373,677.82	547,566.12	(263,722.18)		688,930.22	6,377,983.83
Other Financing Sources (Uses)							
Transfers In	331,782.78			200,000.00		2,146,718.78	2,678,501.56
Sale of Capital Assets				878,192.50			878,192.50
Transfers Out	(1,292,246.23)			(45,943.04)		(1,340,312.29)	(2,678,501.56)
Total Other Financing Sources (Uses)	(960,463.45)			1,032,249.46		806,406.49	878,192.50
Net Change in Fund Balances	4,071,068.40	373,677.82	547,566.12	768,527.28		1,495,336.71	7,256,176.33
Fund Balances - Beginning of Year	10,861,876.46	6,897,251.36	9,174,636.65	4,021,267.87		9,886,652.36	40,841,684.70
Fund Balances - End of Year	\$ 14,932,944.86	\$ 7,270,929.18	\$ 9,722,202.77	\$ 4,789,795.15	\$	\$ 11,381,989.07	\$ 48,097,861.03

The accompanying Notes to the Financial Statements are an integral part of this statement.

***Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020***

Net Change in Fund Balances - Total Governmental Funds (Exhibit 5) \$ 7,256,176.33

Amounts reported for governmental activities in the Statement of Activities
(Exhibit 2) are different because:

Governmental funds report capital outlay as an expenditure. However, in the
Statement of Activities, the cost of these assets is allocated over their estimated
useful lives as depreciation expense. This is the amount by which Depreciation
(\$2,644,816.01) exceeded Capital Outlay (\$2,488,955.29) in the current period. (155,860.72)

Repayment of debt is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the Statement of Net Position and does not affect
the Statement of Activities. 2,148,718.44

The deferred charges and premiums on the issuance of warrants are amortized
over the life of the debt in the Statement of Activities.

Amortization of Loss on Early Retirement of Debt	\$	(23,667.61)	
Amortization of Premium on Debt Issued		8,228.01	
Total			(15,439.60)

In the Statement of Activities, only the gain on the sale of capital assets is reported,
whereas in the governmental funds, the proceeds from the sale increase financial
resources. Thus the changes in net position differs from the change in fund balance
by the cost of the capital assets sold. (589,575.00)

Some items reported in the Statement of Activities do not require the use of current
financial resources and, therefore, are not reported as expenditures in the
governmental funds. These items consist of:

Net Increase in Compensated Absences	\$	(107,100.47)	
Net Change in Other Postemployment Benefits Liability		(885,130.98)	
Net Change in Pension Liability		(277,553.87)	
Decrease in Accrued Interest Payable		9,063.76	
Total Additional Expenditures			(1,260,721.56)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 7,383,297.89

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
September 30, 2020

	Enterprise Fund
	Water System
	Fund
<hr/>	
<u>Assets</u>	
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 871,911.77
Investments	1,309,722.14
Receivables	20,090.66
Inventories	31,407.70
Total Current Assets	<u>2,233,132.27</u>
<u>Noncurrent Assets</u>	
Investment in Joint Venture	2,372,373.48
Capital Assets (Note 4)	1,235,539.61
Total Noncurrent Assets	<u>3,607,913.09</u>
Total Assets	<u>5,841,045.36</u>
<u>Deferred Outflows of Resources</u>	
Deferred Outflow Related to Pension Liability	<u>21,435.70</u>
<u>Liabilities</u>	
<u>Current Liabilities</u>	
Accounts Payable	43,429.58
Accrued Wages Payable	1,011.08
Customer Deposits	107,300.00
Estimated Liability for Compensated Absences	1,224.28
Total Current Liabilities	<u>152,964.94</u>
<u>Noncurrent Liabilities</u>	
Estimated Liability for Compensated Absences	11,018.53
Pension Liability	78,367.25
Other Postemployment Benefits (OPEB) Payable	162,778.61
Total Noncurrent Liabilities	<u>252,164.39</u>
Total Liabilities	<u>405,129.33</u>
<u>Deferred Inflows of Resources</u>	
Deferred Inflows Related to Pension Liability	1,363.60
Deferred Inflows Related OPEB Liability	116,313.27
Total Deferred Inflows of Resources	<u>117,676.87</u>
<u>Net Position</u>	
Net Investment in Capital Assets	1,235,539.61
Unrestricted	<u>4,104,135.25</u>
Total Net Position	<u>\$ 5,339,674.86</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
For the Year Ended September 30, 2020

	Enterprise Fund Water System Fund
<u>Operating Revenues</u>	
Charges for Services	\$ 832,469.59
Investment in Joint Venture	169,067.04
Miscellaneous	971.91
Total Operating Revenues	<u>1,002,508.54</u>
<u>Operating Expenses</u>	
Employee Benefits and Payroll Taxes	161,406.49
Materials and Supplies	24,763.77
Information Technology	16,000.00
Repairs and Maintenance	118,069.70
Utilities and Postage	34,252.29
Insurance	8,359.19
Depreciation	129,596.15
Purchase of Water	324,327.70
Miscellaneous	27,934.25
Total Operating Expenses	<u>844,709.54</u>
Operating Income (Loss)	<u>157,799.00</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest Revenue	<u>5,877.82</u>
Total Nonoperating Revenues (Expenses)	<u>5,877.82</u>
Changes in Net Position	163,676.82
Net Position - Beginning of Year	<u>5,175,998.04</u>
Net Position - End of Year	<u>\$ 5,339,674.86</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2020

	Enterprise Fund Water System Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 1,043,691.87
Other Operating Revenue	971.91
Payments to Suppliers	(551,772.67)
Payments to Employees	(141,015.10)
Net Cash Provided (Used) by Operating Activities	<u>351,876.01</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Purchase of Certificate of Deposit	(4,029.64)
Investment in Joint Venture	(169,067.04)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(173,096.68)</u>
<u>Cash Flows from Investing Activities</u>	
Interest and Dividends	5,877.82
Net Cash Provided (Used) by Investing Activities	<u>5,877.82</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	184,657.15
Cash and Cash Equivalents - Beginning of Year	<u>687,254.62</u>
Cash and Cash Equivalents - End of Year	<u><u>871,911.77</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	157,799.00
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities</u>	
Depreciation Expense	129,596.15
Change in Assets and Liabilities:	
Decrease in Accounts Receivable	33,930.24
Increase in Accounts Payable	1,934.23
Increase in Customer Deposits Payables	8,225.00
Other Postemployment Benefits Expense	11,840.02
Decrease in Accrued Wages Payable	510.48
Increase in Estimated Liability for Compensated Absences	4,556.02
Pension Expense	<u>3,484.87</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 351,876.01</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Fiduciary Net Position
September 30, 2020

	Private-Purpose Trust Funds	Agency Funds
<hr/>		
<u>Assets</u>		
Cash and Cash Equivalents	\$ 1,947,769.41	\$ 1,814,715.50
Due from Other Governments	9,555.38	40,050.30
Total Assets	<u>1,957,324.79</u>	<u>1,854,765.80</u>
<u>Liabilities</u>		
Accounts Payable	1,841,750.31	803,793.48
Sales Tax Payable		1,050,972.32
Total Liabilities	<u>1,841,750.31</u>	<u>\$ 1,854,765.80</u>
<u>Net Position</u>		
Held in Trust for Other Purposes	115,574.48	
Total Net Position	<u>\$ 115,574.48</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2020

	Private-Purpose Trust Funds
<hr/>	
<u>Additions</u>	
Contributions from:	
Taxes	\$ 25,086.80
Intergovernmental	644,102.56
Court Fees	71,180.71
Miscellaneous	7,642.69
Total Additions	<u>748,012.76</u>
<u>Deductions</u>	
Administration Expense	<u>920,885.80</u>
Total Deductions	<u>920,885.80</u>
Changes in Net Position	(172,873.04)
Net Position - Beginning of Year	<u>288,447.52</u>
Net Position - End of Year	<u><u>\$ 115,574.48</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Talladega County Commission (the “Commission”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Commission is a general-purpose local government governed by separately elected commissioners. Generally accepted accounting principles (GAAP) require that the financial statements present the Commission (the primary government) and its component units. Component units are legally separate entities for which a primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of the above criteria, there are no component units which should be included as part of the financial reporting entity of the Commission.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Commission. These statements include the financial activities of the primary government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Commission. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Commission and for each function of the Commission’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Commission does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Fund Financial Statements

The fund financial statements provide information about the Commission's funds, including fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Commission reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund. The Commission primarily received revenues from collections of property taxes and revenues collected by the State of Alabama and shared with the Commission. Also, the fund is used to report the expenditures of special county property taxes for building and maintaining public buildings, roads and bridges. This fund was also used to account for reimbursements from the Coronavirus Relief Fund.
- ◆ **Two Cent Trust Fund** – This fund is used to account for a portion of the proceeds of the Special Two Cent Sales Tax. Only the interest earned on the principal of this fund may be expended, upon approval by the Talladega County legislative delegation.
- ◆ **Two Cent Bridge Fund** – This fund is used to account for a portion of the proceeds of the Special Two Cent Sales Tax used for expenditures related to the construction of a bridge across the Coosa River.
- ◆ **Gasoline Tax Fund** – This fund is used to account for the expenditure of gasoline taxes for the activities of the public works/highway department as related to maintenance, development, and resurfacing of roads, bridges, and rights-of-way. This fund is also used to report the expenditure of the two mill tax revenues collected for building and maintaining county roads.
- ◆ **Reappraisal Fund** – This fund is used to account for the expenditures of property taxes related to the county's reappraisal program.

The Commission reports the following major enterprise fund:

- ◆ **Water System Fund** – This fund is used to account for the cost of providing water services to county residents.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The Commission reports the following governmental fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ◆ **Special Revenue Funds** – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.
- ◆ **Debt Service Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and for the accumulation of resources for principal and interest payments maturing in future years.
- ◆ **Capital Projects Funds** – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

The Commission reports the following fiduciary fund types:

Fiduciary Fund Types

- ◆ **Private-Purpose Trust Funds** – These funds are used to report all trust agreements under which principal and income benefit individuals, private organizations, or other governments.
- ◆ **Agency Funds** – These funds are used to report assets held by the Commission in a purely custodial capacity. The Commission collects these assets and transfers them to the proper individual, private organizations, or other government.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Notes to the Financial Statements

For the Year Ended September 30, 2020

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are charges between the government's water system function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued is reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Commission's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Commission's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

State statutes authorize the County Commission to invest in obligations of the U. S. Treasury and securities of federal agencies and certificates of deposit.

Investments, which consist of certificates of deposit, are reported at cost.

Notes to the Financial Statements

For the Year Ended September 30, 2020

2. Receivables

Sales tax receivables consist of taxes that have been paid by consumers in September. This tax is normally remitted to the Commission within the next 60 days.

Millage rates for property taxes are levied by the Commission. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects. Receivables in the proprietary fund consist of amounts due from customers of the water system.

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Restricted Assets

Certain general obligation and special revenue bonds as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Cash held by the fiscal agent is considered restricted.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Estimated Useful Life
<u>Governmental Activities:</u>		
Buildings and Improvements	\$ 5,000	40 years
Equipment and Furniture	\$ 5,000	5 – 20 years
Roads	\$250,000	20 years
Bridges	\$ 50,000	40 years
<u>Business-Type Activities:</u>		
Buildings and Improvements	\$ 5,000	40 years
Equipment and Furniture	\$ 5,000	5 – 6 years
Infrastructure	\$ 5,000	25 years

The majority of governmental activities infrastructure assets are roads and bridges. The Association of County Engineers has determined that due to the climate and materials used in road construction, the base of the roads in the county will not deteriorate and therefore should not be depreciated. The remaining part of the roads, the surface, will deteriorate and will be depreciated. The entire costs of bridges in the county will be depreciated.

6. Deferred Outflows of Resources

Deferred outflow of resources are reported in the government-wide and proprietary funds Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Warrant premiums and discounts are deferred and amortized over the life of the bonds. Warrants payable are reported at gross with separate line items for the applicable warrant premium or discount. Warrant issuance costs are reported as an expense in the period incurred.

Notes to the Financial Statements

For the Year Ended September 30, 2020

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Compensated Absences

The Commission has a standard leave policy for its full-time employees as to sick and annual leave.

Annual Leave

According to Commission policy each year employees earn annual leave as follows:

Completed Years of Continuous Service	Vacation Leave Earned
1-7 Years	80 Hours Per Year
8-14 Years	120 Hours Per Year
15 Years	128 Hours Per Year
16 Years	136 Hours Per Year
17 Years	144 Hours Per Year
18-19 Years	152 Hours Per Year
20 Years and Over	160 Hours Per Year

Sick Leave

All full-time employees earn one day of sick leave per month. Sick leave falls into two categories: leave earned prior to 1990 and leave earned after 1990. Any sick leave earned prior to 1990 may be carried forward. At retirement, the employee may be paid for up to ninety days of the accumulated leave. Sick leave earned after 1990 may be accumulated up to sixty days, but only one-half of the post 1990 accumulated sick leave is payable upon an employee's retirement.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Compensatory Leave

Compensatory leave is provided to permanent full-time employees in accordance with the Fair Labor Standards Act. Generally, employees in public safety activity, emergency response activity, or seasonal activity may accumulate 480 hours, all other employees 240 hours maximum. According to the Fair Labor Standards Act, employees should be paid for compensatory leave in excess of the maximum hours stipulated. Compensatory leave is calculated at one and one-half times the regular hours.

The *Code of Alabama 1975*, Section 36-21-4.1, provides that any non-elected law enforcement officer in the service of a county who has worked overtime be given the choice of overtime pay or compensatory leave. Under this statute, officers must make an election at the end of each month with regard to overtime earned during that month. Any overtime to be received as salary is to be paid the following month and any overtime to be taken as compensatory leave must be taken in the calendar year in which it is earned. Under this provision, deputies may accrue compensatory leave, but it must be used in the calendar year in which it is earned and there is no provision to pay out any unused compensatory leave.

The Commission uses the termination method to accrue its sick leave liability.

Termination Payment Method – Under this method an accrual for earned sick leave is made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

9. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

Notes to the Financial Statements

For the Year Ended September 30, 2020

10. Net Position/Fund Balances

Net position is reported on the government-wide and proprietary fund financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

- ◆ **Net Investment in Capital Assets** – Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction and improvement of those assets should also be included in this component. Any significant unspent related debt proceeds or deferred inflows of resources attributable to the unspent amount at year-end related to capital assets are not included in this calculation. Debt proceeds or deferred inflows of resources at the end of the reporting period should be included in the same net position amount (restricted, unrestricted) as the unspent amount.
- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.
- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position. Unrestricted net position is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Commission.

Fund balance is reported in the fund financial statements under the following five categories:

- ◆ **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples include inventories, prepaid items, permanent endowments, etc.
- ◆ **Restricted** – consists of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or through constitutional provisions or enabling legislation.
- ◆ **Committed** – consists of amounts that are subject to a purpose constraint imposed by formal resolution of the Commission, which is the highest level of decision-making authority. Amendments or modifications of the committed fund balance must also be approved by formal resolution of the Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2020

- ♦ **Assigned** – consists of amounts that are intended to be used by the Commission for specific purposes. The Commission delegated authority to the Commission Chairman or County Administrator to make determination of the assigned amounts of fund balance.
- ♦ **Unassigned** – includes all spendable amounts not contained in one of the other classifications.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Employees' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

F. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the balances of the Commission's OPEB Plan have been determined on the same basis as they are reported by the Commission. For this purpose, the Commission's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund with the exception of ad valorem taxes, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all other governmental funds. Capital projects funds adopt project-length budgets. All appropriations lapse at fiscal year-end.

The present statutory basis for county budgeting operations is the County Financial Control Act of 1935, as amended by Act Number 2007-488, Acts of Alabama. According to the terms of the law, at some meeting in September of each year, but in any event not later than October 1, the Commission must estimate the anticipated revenues, estimated expenditures and appropriations for the respective amounts that are to be used for each of such purposes. The appropriations must not exceed the total revenues available for appropriation plus any balances on hand. Expenditures may not legally exceed appropriations.

Budgets may be adjusted during the fiscal year when approved by the County Commission. Any changes must be within the revenues and reserves estimated to be available.

Note 3 – Deposits and Investments

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Commission will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Commission's deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the ***Code of Alabama 1975***, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance. All of the Commission's investments were in certificates of deposit. These certificates of deposit are classified as "Deposits" in order to determine insurance and collateralization. However, they are classified as "Investments" on the financial statements.

Notes to the Financial Statements

For the Year Ended September 30, 2020

B. Cash with Fiscal Agents

The *Code of Alabama 1975*, Section 11-8-11 and Section 11-81-20, authorizes the Commission to invest in obligations of the U. S. Treasury and federal agency securities along with certain pre-refunded public obligation such as bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state.

As of September 30, 2020, the Commission had the following investments in cash held by fiscal agent classified as cash and cash equivalents on the financial statements:

Investment Type	Amortized Cost	Investment Maturity
Fidelity Investments Money Market Funds	<u>\$549,566.28</u>	Within One Year

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increased interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law requires that pre-refunded public obligations, such as any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state that the Commission invests in be rated in the highest rating category of Standard & Poor's Corporation and Moody's Investors Service, Inc. At September 30, 2020, the Commission's money market fund was rated AAAM by Standard & Poor's Corporation.

Custodial Credit Risk – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to cover the value of its investments or collateral securities that are in the possession of an outside party. The Commission does not have a formal investment policy that limits the amount of securities that can be held by counterparties.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Commission does not have a formal investment policy that allows an investment in any one issuer that is in excess of five percent.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 4 – Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 10/01/2019	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2020
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,192,040.50	\$	\$	\$ 1,192,040.50
Construction in Progress	142,908.67		(142,908.67)	
Infrastructure in Progress	16,406,725.52	170,198.76	(9,282,687.00)	7,294,237.28
Total Capital Assets, Not Being Depreciated	17,741,674.69	170,198.76	(9,425,595.67)	8,486,277.78
Capital Assets Being Depreciated:				
Buildings and Improvements	27,609,070.14	165,161.48		27,774,231.62
Equipment and Furniture	20,833,466.04	2,448,894.25	(982,625.00)	22,299,735.29
Equipment Under Capital Lease	645,066.65	2,701,006.00	(645,066.65)	2,701,006.00
Infrastructure – Bridges and Roads	10,415,343.50	7,074,357.12		17,489,700.62
Total Capital Assets Being Depreciated	59,502,946.33	12,389,418.85	(1,627,691.65)	70,264,673.53
Less Accumulated Depreciation for:				
Buildings and Improvements	(10,941,347.85)	(706,667.25)		(11,648,015.10)
Equipment and Furniture	(14,695,088.00)	(2,190,737.70)	393,050.00	(16,492,775.70)
Equipment Under Capital Lease	(697,027.60)	(67,525.15)	697,027.60	(67,525.15)
Infrastructure – Bridges and Roads	(4,512,136.28)	(376,913.51)		(4,889,049.79)
Total Accumulated Depreciation	(30,845,599.73)	(3,341,843.61)	1,090,077.60	(33,097,365.74)
Total Capital Assets Being Depreciated	28,657,346.60	9,047,575.24	(537,614.05)	37,167,307.79
Total Governmental Activities Capital Assets	\$ 46,399,021.29	\$ 9,217,774.00	\$(9,963,209.72)	\$ 45,653,585.57
(*) Infrastructure in Progress was reclassified to Infrastructure - Bridges and Roads in the amount of \$6,581,681.00 and to Equipment Under Capital Lease in the amount of \$2,701,006.00. Also, Equipment Under Capital Lease in the amounts of \$645,066.65 was reclassified to Equipment and Furniture along with the related depreciation of \$645,066.65 and \$51,960.95 to correct recording errors.				

	Balance 10/01/2019	Additions	Retirements	Balance 09/30/2020
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 36,950.00	\$	\$	\$ 36,950.00
Total Capital Assets, Not Being Depreciated	36,950.00			36,950.00
Capital Assets Being Depreciated:				
Buildings and Improvements	2,909,470.50			2,909,470.50
Infrastructure	2,331,006.23			2,331,006.23
Equipment and Furniture	598,513.26			598,513.26
Total Capital Assets Being Depreciated	5,838,989.99			5,838,989.99
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,855,178.63)	(2,048.75)		(2,857,227.38)
Infrastructure	(1,213,100.89)	(89,000.25)		(1,302,101.14)
Equipment and Furniture	(442,524.71)	(38,547.15)		(481,071.86)
Total Accumulated Depreciation	(4,510,804.23)	(129,596.15)		(4,640,400.38)
Total Capital Assets Being Depreciated, Net	1,328,185.76	(129,596.15)		1,198,589.61
Total Business Capital Assets Net	\$ 1,365,135.76	\$(129,596.15)	\$	\$ 1,235,539.61

Notes to the Financial Statements
For the Year Ended September 30, 2020

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
<u>Governmental Activities:</u>	
General Government	\$ 220,910.24
Health	42,500.00
Public Safety	1,247,173.06
Highways and Roads	1,134,232.71
Total Depreciation Expense – Governmental Activities	<u>\$2,644,816.01</u>

	Current Year Depreciation Expense
<u>Business-Type Activities:</u>	
Water	<u>\$129,596.15</u>
Total Depreciation Expense – Business-Type Activities	<u>\$129,596.15</u>

Note 5 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The Employees' Retirement System of Alabama (ERS), an agent multiple-employer plan, was established October 1, 1945 under the provisions of Act Number 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, State Police, and on an elective basis, to all cities, counties, towns and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 36-27-2, grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975*, Section 36-27-6.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30th are paid to the beneficiary.

The ERS serves approximately 907 local participating employers. The ERS membership includes approximately 93,986 participants. As of September 30, 2019, membership consisted of:

Retirees and beneficiaries currently receiving benefits	25,871
Terminated employees entitled to but not yet receiving benefits	1,794
Terminated employees not entitled to a benefit	11,001
Active Members	55,222
Post-DROP participants who are still active service	98
Total	<u>93,986</u>

Contributions

Tier 1 covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with additional amounts to finance any unfunded accrued liability, the pre-retirement death benefit and administrative expenses of the Plan. For the year ended September 30, 2020, the Commission's active employee contribution rate was 5.94% of covered employee payroll, and the Commission's average contribution rate to fund the normal and accrued liability costs was 6.99% of covered employee payroll.

The Commission's contractually required contribution rate for the year ended September 30, 2020, was 8.00% of pensionable pay for Tier 1 employees, and 4.88% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2017, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Commission were \$604,780.23 for the year ended September 30, 2020.

B. Net Pension Liability

The Commission's net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2018, rolled forward to September 30, 2019, using standard roll-forward techniques as shown in the following table:

	Total Pension Liability Roll-Forward	
	Expected	Actual
Total Pension Liability as of September 30, 2018 (a)	\$28,970,490	\$29,182,753
Discount Rate (b)	7.70%	7.70%
Entry Age Normal Cost for the period		
October 1, 2018 - September 30, 2019 (c)	670,367	670,367
Transfers Among Employers (d)		110,863
Actual Benefit Payments and Refunds for		
October 1, 2018 - September 30, 2019 (e)	(1,634,576)	(1,634,576)
Total Pension Liability as of September 30, 2019 (f)		
=[(a) x (1+(b))] + (c) + (d) + [(e) x (1+0.5*(b))]	\$30,174,078	\$30,513,548
Difference Between Expected and Actual (g)		\$ 339,470
Less Liability Transferred for Immediate Recognition (h)		110,863
Experience (Gain)/Loss = (g) - (h)		\$ 228,607

Notes to the Financial Statements

For the Year Ended September 30, 2020

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2018, which was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	3.25% - 5.00%
Investment Rate of Return (*)	7.70%

(*) Net of pension plan investment expense,
including inflation

Mortality rates for ERS were based on the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Retiree Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Notes to the Financial Statements

For the Year Ended September 30, 2020

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	<u>100.00%</u>	

(*) Includes assumed rate of inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was the long-term rate of return, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2020

C. Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2018	\$28,970,490	\$24,326,761	\$4,643,729
Changes for the Year:			
Service Cost	670,367		670,367
Interest	2,167,797		2,167,797
Differences Between Expected and Actual Experience	228,607		228,607
Contributions – Employer		572,245	(572,245)
Contributions – Employee		499,907	(499,907)
Net Investment Income		618,867	(618,867)
Benefit Payments, Including Refunds of Employee Contributions	(1,634,576)	(1,634,576)	
Transfers Among Employers	110,863	110,863	
Net Changes	1,543,058	167,306	1,375,752
Balances at September 30, 2019	\$30,513,548	\$24,494,067	\$6,019,481

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's net pension liability calculated using the discount rate of 7.70%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	1% Decrease (6.70%)	Current Rate (7.70%)	1% Increase (8.70%)
Talladega County Commission's Net Pension Liability	\$9,443,228	\$6,019,481	\$3,127,183

Notes to the Financial Statements

For the Year Ended September 30, 2020

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement Number 68 Report for the ERS prepared as of September 30, 2019. The auditor's report dated August 27, 2020 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the Commission recognized pension expense of \$874,029. At September 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 390,123.00	\$58,557.00
Changes of assumptions	370,894.00	
Net difference between projected and actual earnings on plan investments	294,137.00	
Employer contributions subsequent to the measurement date	604,780.23	
Total	<u>\$1,659,934.23</u>	<u>\$58,557.00</u>

The \$604,780.23 reported as deferred outflows of resources related to pensions resulting Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2021	\$136,957
2022	\$191,040
2023	\$287,112
2024	\$340,266
2025	\$ 37,477
Thereafter	\$ 3,745

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 6 – Other Postemployment Benefits (OPEB)

A. General Information about OPEB

Plan Description

The Commission (the “Commission”) provides medical and dental insurance benefits to its eligible retirees and their spouses. The Commission’s OPEB plan is a single-employer defined benefit OPEB plan. The Commission participates in the Local Government Health Insurance Plan (LGHIP), which is a self-insured employer group health benefit plan administered by the Local Government Health Insurance Board (LGHIB). The Local Government Health Insurance Board (LGHIB) is a state agency established by the Alabama Legislature to administer the LGHIP pursuant to the *Code of Alabama 1975*, Section 11-91A-1 through 11-91A-10. The authority to establish and/or amend the obligation of the employer, employees, and retirees rests with the LGHIB.

No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided Through Trusts That Meet Specified Criteria – Defined Benefit*.

Benefits Provided

The Commission does not anticipate setting up a trust fund within the next two years to fund its postemployment medical insurance plan.

The Commission contributed \$553 towards the cost of current-year premiums for eligible retirees’ medical insurance premiums; retirees reimburse the county for any additional premiums. For fiscal year 2020, the Commission contributed \$279,344 to cover approximately 60 participants.

Employee’s Covered by Benefit Terms

At September 30, 2020, the following employees were covered by the benefit terms:

Active Employees	219
Retired Employees	60
Total Membership	<u>279</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

B. Total OPEB Liability

The Commission's total OPEB liability of \$12,331,713 as of September 30, 2020, was measured as of September 30, 2020, and was determined by an actuarial valuation as that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Schedule	3.50%
Discount Rate	2.25% (-0.25% real rate of return plus 2.50% inflation)
Health Care Cost Trend	4.50%

The discount rate was selected by reviewing the recent published Bond Buyer 20 Year General Obligation municipal bond index as of September 30, 2020, the end of the applicable measurement period.

Mortality rates were based on the RPH-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on MP-2019.

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of an actuarial experience study for the period September 30, 2020.

Changes in the Total OPEB Liability

Total OPEB Liability as of September 30, 2019	\$ 21,623,645
Changes for the Year:	
Service Cost	858,784
Interest Cost	907,116
Experience (Gain)/Loss	(459,076)
Changes in Assumptions	(10,319,412)
Benefit Payments	(279,344)
Net Change in Total OPEB liability	(9,291,932)
Total OPEB Liability as of September 30, 2020	\$ 12,331,713

There are no changes in benefit terms since the Prior Measurement Date.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.25%) or 1-percentage point higher (3.25%) than the current discount rate:

	1% Decrease (1.25%)	Current (2.25%)	1% Increase (3.25%)
Total OPEB Liability	\$15,697,389	\$12,331,713	\$9,981,798

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (3.50%) or 1-percentage point higher (5.50%) than the current healthcare cost trend rates:

	1% Decrease (3.50%)	Current (4.50%)	1% Increase (5.50%)
Total OPEB Liability	\$9,840,846	\$12,331,713	\$15,906,953

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the Commission recognized OPEB expense of \$200,977. At September 30, 2020, the actuary determined there were no deferred outflows of resources. Deferred inflows of resources were reported from the following sources:

Differences between expected and actual experience	\$ 375,303
Changes of assumptions	8,436,308
Total	<u>\$8,811,611</u>

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 7 – Capital Leases

The Commission is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$2,701,006 for governmental activities at September 30, 2020. If the Commission completes the lease payments according to the schedules below, which is the stated intent of the Commission, ownership of the leased equipment will pass to the Commission. The lease purchase contracts give the Commission the right to cancel the lease with 30 days' written notice and payment of a pro rata share of the current year's lease payments. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30.

Fiscal Year Ending	Governmental Activities
September 30, 2021	\$ 276,567.82
2022	276,567.82
2023	276,567.82
2024	276,567.82
2025	276,567.82
2026-2027	832,400.44
Total Minimum Lease Payments	2,215,239.54
Less: Amount Representing Interest	(64,672.20)
Present Value of Net Minimum Lease Payments	<u>\$2,150,567.34</u>

Note 8 – Long-Term Debt

The Limited Obligation Warrants, Series 2002D, dated February 1, 2002, were issued for the purpose of acquiring, constructing and equipping certain improvements to the B. B. Comer Library.

On September 1, 2010, the Commission issued General Obligation Warrants Series 2010-A and Series 2010-B. Series 2010-A was issued for the purpose of financing the acquisition and construction of a regional jail in the county and related administrative offices. Series 2010-B was issued for the purpose of refunding the General Obligation Warrants, Series 2007 and Series 2009.

On February 1, 2012, the Commission issued General Obligation Warrants Series 2012-A. These warrants were issued for the purpose of refunding the Series 2002-A, 2002-B and Series 2002-E warrants.

Notes to the Financial Statements

For the Year Ended September 30, 2020

On March 1, 2013, the Commission issued General Obligation Refunding Warrants, Series 2013A, for \$7,435,000 in order to refund its Revenue Warrants, Series 2003A, 2003B and 2003C.

On October 1, 2015, the Commission issued a long-term agreement payable for \$833,260.00 for the purpose of county software and hardware updates.

On June 30, 2016, the Commission issued a long-term note payable for \$2,579,768.08 for the purpose of purchasing equipment for the county road department.

In March 2018, the Commission approved a proposal from Motorola Solutions for a “zone separate and IP simulcast upgrade” to the County’s public safety radio system at a cost of \$2,701,006. The approved proposal included an agreement with Motorola for annual capital lease payments over a ten-year period in the amount of \$274,567 beginning after the project completion in April 2019.

The following is a summary of long-term debt transactions for the Commission for the year ended September 30, 2020:

	Debt Outstanding 10/01/2019	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2020	Amounts Due Within One Year
Governmental Activities:					
Warrants Payable	\$21,285,000.00	\$	\$1,170,000.00	\$20,115,000.00	\$1,295,000.00
Long-Term Notes Payable	930,901.81		528,153.87	402,747.94	402,747.94
Deferred Amounts:					
Premium	34,335.18		8,228.01	26,107.17	8,228.01
Other Liabilities:					
Capital Lease Contracts Payable	2,517,961.92		367,394.58	2,150,567.34	276,567.82
Long-Term Agreement Payable	503,730.00		83,170.00	420,560.00	83,425.00
OPEB Payable	19,979,101.14		7,810,166.75	12,168,934.39	
Net Pension Liability	4,582,420.07	1,358,692.68		5,941,112.75	
Estimated Liability for Compensated Absences	565,870.40	107,100.47		672,970.87	67,297.08
Governmental Activities Long-Term Liabilities	50,399,320.52	1,465,793.15	9,967,113.21	41,898,000.46	2,133,265.85
Business-Type Activities:					
Other Liabilities:					
OPEB Liability	267,251.86		104,473.25	162,778.61	
Net Pension Liability	61,307.93	17,059.32		78,367.25	
Estimated Liability for Compensated Absences	7,686.79	4,556.02		12,242.81	1,224.28
Total Business-Type Activities	\$ 336,246.58	\$ 21,615.34	\$ 104,473.25	\$ 253,388.67	\$ 1,224.28

Notes to the Financial Statements

For the Year Ended September 30, 2020

Payments on the 2003 General Obligation Warrants are made by the General Fund (25%) and the Gasoline Tax Fund (75%). Payments on all remaining warrants are made by the special 2-cent sales tax. The payments on the notes payable are made from, but not secured by, gasoline tax proceeds. The long-term agreement payable is made from the General Fund.

The compensated absences liability attributable to the governmental activities will be liquidated by several of the Commission's governmental funds.

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Total Warrants Payable		Total Capital Lease Contracts Payable	
	Principal	Interest	Principal	Interest
September 30, 2021	\$ 1,295,000.00	\$ 890,992.52	\$ 276,567.82	\$
2022	1,415,000.00	848,869.39	276,567.82	
2023	1,125,000.00	808,677.51	276,567.82	
2024	1,005,000.00	771,671.26	276,567.82	
2025	1,030,000.00	733,734.38	276,567.82	
2026-2030	5,605,000.00	2,999,353.75	767,728.24	64,672.20
2031-2035	4,590,000.00	1,763,662.50		
2036-2040	4,050,000.00	694,062.50		
Total	<u>\$20,115,000.00</u>	<u>\$9,511,023.81</u>	<u>\$2,150,567.34</u>	<u>\$64,672.20</u>

Deferred Charges on Refunding, Discounts and Premiums

The Commission has deferred charges on refunding and bond premiums in connection with the issuance of its Taxable General Obligation Warrants, Series 2010A, Series 2010B and Series 2012A. For the Series 2010 A and B warrants, bond premiums are being amortized using the straight-line method over a period of thirty years. Deferred charges on refunding and bond premium on the Series 2012A warrants are being amortized using the straight-line method over a period of ten years.

	Deferred Charges on Refunding	Premium
Total Deferred Charges on Refunding and Premium	\$236,676.12	\$97,161.35
Amount Amortized Prior Years	177,507.08	62,826.17
Balance Deferred Charges on Refunding and Premium	59,169.04	34,335.18
Current Amount Amortized	23,667.61	8,228.01
Balance Deferred Charges on Refunding and Premium	<u>\$ 35,501.43</u>	<u>\$26,107.17</u>

Notes to the Financial Statements
For the Year Ended September 30, 2020

Total Long-Term Notes Payable		Long-Term Agreement Payable	Total Principal and Interest Requirements to Maturity
Principal	Interest	Principal	
\$402,747.94	\$3,838.23	\$ 83,425.00	\$ 2,952,571.51
		83,780.00	2,624,217.21
		84,135.00	2,294,380.33
		84,390.00	2,137,629.08
		84,830.00	2,125,132.20
			9,436,754.19
			6,353,662.50
			4,744,062.50
\$402,747.94	\$3,838.23	\$420,560.00	\$32,668,409.52

Pledged Revenues

The Commission issued Series 2010-A General Obligation Recovery Zone Economic Development Warrants for the purpose of financing the acquisition and construction of a regional jail in the County and for paying the costs of issuing the warrants. The Commission issued Series 2010-B General Obligation Warrants for the purpose of refunding the Series 2009 and Series 2007 General Obligation Warrants and for paying the costs of issuing the warrants. The Series 2010-A and Series 2010-B Warrants are pledged to be repaid from certain court fees and the pledged tobacco tax. Future revenues of \$21,447,447.50 and \$9,250.00 are pledged to pay the principal and interest on the 2010-A Warrants and the 2010-B Warrants, respectively, as of September 30, 2020. Proceeds of the court fees and pledged tobacco taxes and inmate housing revenues in the amount of \$1,095,657.50 was used by the Commission to pay principal and interest of \$802,607.5 on the 2010-A Warrants and \$293,050.00 on the 2010-B Warrants. The Series 2010-A and Series 2010-B Warrants will mature in fiscal year 2040.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 9 – Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission participates in the ACCA (Alabama County Commissioners Association) Liability Self-Insurance Fund, Inc. for standard and cyber liability and property coverage. Coverage is provided up to \$1,000,000 per occurrence with a \$3,000,000 aggregate limit and \$225,000 equitable defense cost.

The Commission also participates in ACCA Liability Self-Insurance Fund, Inc. for worker's compensation coverage. Premiums are determined by the carrier's manual of rules, classifications, rates and rating plans

The ACCA Liability Self Insurance Fund, Inc. is established under Section 11-30-2, *Code of Alabama 1975*. The fund is governed by a fifteen member board of trustees who are appointed and are elected or appointed officials of counties participating in the fund. Each year, a qualified actuary prepares a report upon which the Board of Trustees determines contribution amounts needed from each participating county for the coming year. Each participating county is required to contribute the annual amount set by the Board of Trustees.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past three fiscal years.

The Commission has employee health insurance coverage through the Local Government Health Insurance Program, administered by the State Employee's Health Insurance Board (SEHIB). They may choose to participate in a plan administered by Blue Cross/Blue Shield which functions as a public entity risk pool. This plan is self-sustaining through member premiums. Monthly premiums are determined annually by the plan's actuary and are based on the pool's claims experience, considering any remaining fund balance on hand available for claims.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 10 – Interfund Transactions

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2020, were as follows:

	Transfers Out			
	General Fund	Gasoline Tax Fund	Other Governmental Funds	Totals
Transfers In:				
General Fund	\$	\$	\$ 331,782.78	\$ 331,782.78
Gasoline Tax Fund	200,000.00			200,000.00
Other Governmental Funds	1,092,246.23	45,943.04	1,008,529.51	2,146,718.78
Totals	\$1,292,246.23	\$45,943.04	\$1,340,312.29	\$2,678,501.56

The Commission typically used transfers to fund ongoing operating subsidies and to transfer the portion from the General Fund to the Debt Service Funds to service current-year debt requirements.

Note 11 – Related Organizations

The Commission appoints a majority of board members of the Talladega County Emergency Communications District (E-911), Central Talladega County Water District, Fayetteville Water and Fire Protection Authority, Hollins Water Authority and Sycamore Water and Sewer Authority. The Commission, however, is not financially accountable, because it does not impose its will or have a financial benefit or burden relationship, for any of these organizations. Therefore, these organizations are not considered part of the Commission's financial reporting entity. These organizations are considered related organizations of the County Commission.

Notes to the Financial Statements

For the Year Ended September 30, 2020

Note 12 – Joint Ventures

The Commission is involved in a joint venture with the Shelby County Commission. The counties each own a 50% share of a water filtration plant located on the Coosa River. The plant provides water to customers in both Talladega and Shelby Counties. As of September 30, 2020, the operations of the Talladega/Shelby Filtration Plant are recorded as a separate entity. Only the equity share of Talladega County's investment in the joint venture is shown on the financial statements. As of September 30, 2020, Talladega County's investment in the joint venture was \$2,372,373.48. Records of the Filtration Plant are maintained by personnel of the Shelby County Public Works Department. Financial Statements of the Talladega/Shelby Filtration Plant may be obtained from the Shelby County Commission Public Works Department.

Note 13 – Subsequent Event

On December 30, 2021, the Commission issued Tax Exempt General Obligation Warrants, Series 2020A in the amount of \$8,725,000 and Taxable General Obligation Warrants, Series 2020B in the amount of \$3,585,000 to provide for the refunding of General Obligation Warrants Series 2010A.

Required Supplementary Information

Schedule of Changes in the Employer's Net Pension Liability
For the Year Ended September 30, 2020

	2019	2018	2017	2016	2015	2014
<u>Total Pension Liability</u>						
Service cost	\$ 670,367	\$ 644,006	\$ 684,666	\$ 672,848	\$ 666,721	\$ 660,909
Interest	2,167,797	2,058,995	1,975,170	1,859,947	1,758,025	1,664,459
Difference between expected and actual experience	228,607	262,240	(79,879)	(52,183)	178,201	
Changes of assumptions		148,983		793,829		
Benefit payments, including refunds of employee contributions	(1,634,576)	(1,689,651)	(1,427,953)	(1,437,302)	(1,220,561)	(1,091,011)
Transfers among employers	110,863	133,418	60,450	394,922		
Net change in total pension liability	1,543,058	1,557,991	1,212,454	2,232,061	1,382,386	1,234,357
Total pension liability - beginning	28,970,490	27,412,499	26,200,045	23,967,984	22,585,598	21,351,241
Total pension liability - ending (a)	\$ 30,513,548	\$ 28,970,490	\$ 27,412,499	\$ 26,200,045	\$ 23,967,984	\$ 22,585,598
<u>Plan fiduciary net position</u>						
Contributions - employer	\$ 572,245	\$ 581,124	\$ 556,562	\$ 608,263	\$ 597,438	\$ 648,696
Contributions - employee	499,907	464,188	456,476	451,218	433,212	479,870
Net investment income	618,867	2,082,305	2,603,014	1,894,621	219,014	1,986,047
Benefit payments, including refunds of employee contributions	(1,634,576)	(1,689,651)	(1,427,953)	(1,437,302)	(1,220,561)	(1,091,011)
Other (Transfers among employers)	110,863	133,418	60,450	394,922	20,723	(23,743)
Net change in plan fiduciary net position	167,306	1,571,384	2,248,549	1,911,722	49,826	1,999,859
Plan fiduciary net position - beginning	24,326,761	22,755,377	20,506,828	18,595,106	18,545,280	16,545,421
Plan fiduciary net position - ending (b)	\$ 24,494,067	\$ 24,326,761	\$ 22,755,377	\$ 20,506,828	\$ 18,595,106	\$ 18,545,280
Net pension liability - ending (a) - (b)	\$ 6,019,481	\$ 4,643,729	\$ 4,657,122	\$ 5,693,217	\$ 5,372,878	\$ 4,040,318
Plan fiduciary net position liability as a percentage of the total pension liability	80.27%	83.97%	83.01%	78.27%	77.58%	82.11%
Covered payroll (*)	\$ 8,776,459	\$ 8,529,606	\$ 8,434,256	\$ 8,858,443	\$ 8,503,452	\$ 8,466,033
Net pension liability as a percentage of covered payroll	68.59%	54.44%	55.22%	64.27%	63.18%	47.72%

(*) Employer's covered payroll during the measurement period is the total covered payroll. For fiscal year 2020, the measurement period is October 1, 2018 through September 30, 2019. GASB issued a statement "Pension Issues" in March 2016 to redefine covered payroll beginning with fiscal year 2017.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of the Employer's Contributions - Pension
For the Year Ended September 30, 2020

	2020	2019	2019	2017	2016	2015	2014
Actuarially determined contribution (*)	\$ 604,780	\$ 572,245	\$ 581,124	\$ 556,562	\$ 608,263	\$ 597,438	\$ 648,696
Contributions in relation to the actuarially determined contribution (*)	\$ 604,780	\$ 572,245	\$ 581,124	\$ 556,562	\$ 608,263	\$ 597,438	\$ 648,696
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	\$
Covered payroll (**)	\$ 8,655,027	\$ 8,776,459	\$ 8,529,606	\$ 8,434,256	\$ 8,858,443	\$ 8,503,452	\$ 8,466,033
Contributions as a percentage of covered payroll	6.99%	6.52%	6.81%	6.60%	6.87%	7.03%	7.66%

(*) The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer's Contributions is based on the 12 month period of the underlying financial statement.

(**) Employer's covered payroll for fiscal year 2020 is the total covered payroll for the 12 month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2020 were based on the September 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2019 to September 30, 2020:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	24.5 years
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Changes in the Employer's
Other Postemployment Benefits (OPEB) Liability
For the Year Ended September 30, 2020***

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 858,784	\$ 858,784	\$ 825,278
Interest	907,116	815,964	795,567
Benefit payments	(279,344)	(297,456)	(288,902)
Changes in assumptions	(10,319,412)		
Experience Gain/Loss	(459,076)		
Net change in total OPEB liability	(9,291,932)	1,377,292	1,331,943
Total OPEB Liability - Beginning	21,623,645	20,246,353	18,914,410
Total OPEB Liability - Ending	<u>\$ 12,331,713</u>	<u>\$ 21,623,645</u>	<u>\$ 20,246,353</u>
Covered-employee payroll	\$ 7,668,144	\$ 8,382,653	\$ 8,382,653
OPEB liability as a percentage of covered-employee payroll	160.82%	257.96%	241.53%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions -
Other Postemployment Benefits (OPEB)
For the Year Ended September 30, 2020***

	2020	2019	2018
Contractually determined contribution (*)	\$ 279,344	\$ 297,456	\$ 301,398
Contributions in relation to the contractually determined contribution	\$ 279,344	\$ 297,456	\$ 301,398
Contribution deficiency (excess)	\$	\$	\$
Covered-employee payroll	\$ 7,668,144	\$ 8,382,653	\$ 8,382,653
OPEB liability as a percentage of covered employee payroll	3.64%	3.55%	3.60%

Notes to Schedule

(*) Per Actuary Report, there were no actuarially determined contributions (ADC). However, premiums charged to the employer by the Plan are shown here.

This schedule is intended to show information for 10 years. Additional years should be displayed as they become available.

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Taxes	\$ 5,782,000.00	\$ 5,782,000.00	\$ 6,251,989.77	(1)	\$ 2,817,004.60	\$ 9,068,994.37
Licenses and Permits	302,000.00	302,000.00	343,086.28	(1)	328,339.15	671,425.43
Intergovernmental	2,871,500.00	2,871,500.00	5,059,025.64	(1)	219,763.05	5,278,788.69
Charges for Services	2,501,500.00	2,501,500.00	2,901,777.98	(1)	309,981.70	3,211,759.68
Miscellaneous	1,173,700.00	1,173,700.00	1,302,261.23	(1)	25,734.53	1,327,995.76
Total Revenues	12,630,700.00	12,630,700.00	15,858,140.90		3,700,823.03	19,558,963.93
<u>Expenditures</u>						
Current:						
General Government	5,250,300.00	5,250,300.00	4,753,577.27	(2)	15,500.04	4,769,077.31
Public Safety	9,098,200.00	9,098,200.00	8,691,272.22			8,691,272.22
Health	99,000.00	99,000.00	96,840.00			96,840.00
Welfare	37,400.00	37,400.00	32,992.55			32,992.55
Intergovernmental	210,000.00	210,000.00	192,361.70			192,361.70
Capital Outlay	175,000.00	175,000.00	291,453.57			291,453.57
Debt Service:						
Principal Retirement	363,000.00	363,000.00	450,564.57			450,564.57
Interest and Fiscal Charges	11,000.00	11,000.00	2,870.16			2,870.16
Total Expenditures	15,243,900.00	15,243,900.00	14,511,932.04		15,500.04	14,527,432.08
Excess (Deficiency) of Revenues Over Expenditures	(2,613,200.00)	(2,613,200.00)	1,346,208.86		3,685,322.99	5,031,531.85
<u>Other Financing Sources (Uses)</u>						
Transfers In	4,100,700.00	4,100,700.00	2,190,000.00	(3)	(1,858,217.22)	331,782.78
Transfers Out	(1,421,900.00)	(1,421,900.00)	(608,547.43)	(3)	(683,698.80)	(1,292,246.23)
Total Other Financing Sources (Uses)	2,678,800.00	2,678,800.00	1,581,452.57		(2,541,916.02)	(960,463.45)
Net Change in Fund Balances	65,600.00	65,600.00	2,927,661.43		1,143,406.97	4,071,068.40
Fund Balances - Beginning of Year			9,283,611.97	(4)	1,578,264.49	10,861,876.46
Fund Balances - End of Year	\$ 65,600.00	\$ 65,600.00	\$ 12,211,273.40		\$ 2,721,671.46	\$ 14,932,944.86

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2020

Explanation of differences:

Some amounts are combined with the General Fund for reporting purposes but are budgeted separately:

(1) Revenues		
Public Building Roads and Bridges Fund	\$ 2,825,713.49	
Public Highway and Traffic Fund	549,076.75	
Pledged Court Proceeds Fund	310,103.03	
Supernumerary Fund	15,500.04	
Shelvin Rock Bridge	<u>429.72</u>	\$ 3,700,823.03
(2) Expenditures		
Supernumerary Fund	<u>\$ (15,500.04)</u>	(15,500.04)
(3) Other Financing Sources/(Uses) Net		
Public Buildings, Roads and Bridges Fund	\$ (2,200,000.00)	
Pledged Court Proceeds	<u>(341,916.02)</u>	<u>(2,541,916.02)</u>
Net Increase/(Decrease) in Fund Balance - Budget to GAAP		<u><u>\$ 1,143,406.97</u></u>
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. (See Note 2 for a description of the Commission's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.		

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Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Two Cent Bridge Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts Budgetary Basis	Budget to GAAP Differences	Actual Amounts GAAP Basis
	Original	Final			
<u>Revenues</u>					
Taxes	\$ 570,000.00	\$ 570,000.00	\$ 422,619.39	\$	\$ 422,619.39
Miscellaneous	110,000.00	110,000.00	124,946.73		124,946.73
Total Revenues	680,000.00	680,000.00	547,566.12		547,566.12
Net Change in Fund Balances	680,000.00	680,000.00	547,566.12		547,566.12
Fund Balances - Beginning of Year			9,174,636.65		9,174,636.65
Fund Balances - End of Year	\$ 680,000.00	\$ 680,000.00	\$ 9,722,202.77	\$	\$ 9,722,202.77

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts		Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis		Differences	GAAP Basis
<u>Revenues</u>						
Taxes	\$ 18,000.00	\$ 18,000.00	\$ 30,356.16	(1)	\$ 2,513,600.87	\$ 2,543,957.03
Intergovernmental	1,585,000.00	1,585,000.00	1,562,943.16	(1)	1,175,318.42	2,738,261.58
Charges for Services						799,661.20
Miscellaneous	20,000.00	20,000.00	115,385.97	(1)	7,852.79	123,238.76
Total Revenues	1,623,000.00	1,623,000.00	2,508,346.49		3,696,772.08	6,205,118.57
<u>Expenditures</u>						
Current:						
General Government	309,400.00	309,400.00	358,236.42			358,236.42
Highways and Roads	4,870,600.00	4,870,600.00	2,945,907.57	(2)	693,625.74	3,639,533.31
Capital Outlay	148,000.00	148,000.00	1,436,280.02	(2)	492,676.12	1,928,956.14
Debt Service:						
Principal Retirement	531,000.00	531,000.00	528,153.87			528,153.87
Interest and Fiscal Charges	14,500.00	14,500.00	13,961.01			13,961.01
Total Expenditures	5,873,500.00	5,873,500.00	5,282,538.89		1,186,301.86	6,468,840.75
Excess (Deficiency) of Revenues Over Expenditures	(4,250,500.00)	(4,250,500.00)	(2,774,192.40)		2,510,470.22	(263,722.18)
<u>Other Financing Sources (Uses)</u>						
Transfers In	3,766,500.00	3,766,500.00	4,962,003.06	(3)	(4,762,003.06)	200,000.00
Sale of Capital Assets			878,192.50			878,192.50
Transfers Out			(45,943.04)			(45,943.04)
Total Other Financing Sources (Uses)	3,766,500.00	3,766,500.00	5,794,252.52		(4,762,003.06)	1,032,249.46
Net Change in Fund Balances	(484,000.00)	(484,000.00)	3,020,060.12		(2,251,532.84)	768,527.28
Fund Balances - Beginning of Year	484,000.00	484,000.00	1,721,259.77	(4)	2,300,008.10	4,021,267.87
Fund Balances - End of Year	\$	\$	\$ 4,741,319.89		\$ 48,475.26	\$ 4,789,795.15

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Gasoline Tax Fund
For the Year Ended September 30, 2020

Explanation of differences:

Some amounts are combined with the Gasoline Tax Fund for reporting purposed but are budgeted separately.

(1) Revenues		
Two Mill Road Fund	\$ 2,259,648.22	
Severed Mineral Fund	85,714.04	
ATRIP Fund	1,175,318.42	
Two Cent Road Project Match	<u>176,091.40</u>	\$ 3,696,772.08
(2) Expenditures		
ATRIP Fund	<u>\$ (1,186,301.86)</u>	(1,186,301.86)
(3) Other Financing Sources (NET)		
Two Mill Road Fund	\$ (4,480,671.00)	
Severed Mineral Fund	<u>(281,332.06)</u>	<u>(4,762,003.06)</u>
Net Increase/(Decrease) in Fund Balance- Budget to GAAP		<u><u>\$ (2,251,532.84)</u></u>
(4) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Commission's budget. (See Note 2 for a description of the Commission's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.		

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Reappraisal Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Budget to GAAP	Actual Amounts
	Original	Final	Budgetary Basis	Differences	GAAP Basis
<u>Revenues</u>					
Taxes	\$ 1,335,600.00	\$ 1,335,600.00	\$ 1,203,428.62	\$	\$ 1,203,428.62
Miscellaneous			11,557.74		11,557.74
Total Revenues	1,335,600.00	1,335,600.00	1,214,986.36		1,214,986.36
<u>Expenditures</u>					
Current:					
General Government	1,309,500.00	1,309,500.00	1,023,735.59		1,023,735.59
Capital Outlay	201,500.00	201,500.00	191,250.77		191,250.77
Total Expenditures	1,511,000.00	1,511,000.00	1,214,986.36		1,214,986.36
Excess (Deficiency) of Revenues Over Expenditures	(175,400.00)	(175,400.00)			
Fund Balances - Beginning of Year	175,400.00	175,400.00			
Fund Balances - End of Year	\$	\$	\$	\$	\$

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
<u>U. S. Department of the Interior</u>				
<u>Direct Program</u>				
Payments in Lieu of Taxes	15.226	N.A.	\$	\$ 85,192.00
Total U. S. Department of the Interior				85,192.00
<u>U. S. Department of Homeland Security</u>				
<u>Passed Through Alabama Emergency Management Agency</u>				
Emergency Management Performance Grants	97.042	N.A.		42,914.00
Total U. S. Department of Homeland Security				42,914.00
<u>U. S. Department of Justice</u>				
<u>Direct Program</u>				
Equitable Sharing Program	16.922	N.A.		72,262.24
<u>Passed Through Alabama Department of Economic and Community Affairs</u>				
Violence Against Women Formula Grants	16.588	18-WF-LE-008		22,538.41
Violence Against Women Formula Grants	16.588	19-WF-LE-008		41,235.30
Total Violence Against Women Formula Grants				63,773.71
Total U. S. Department of Justice				136,035.95
<u>U. S. Department of Agriculture</u>				
<u>Passed Through Alabama Department of Finance</u>				
Schools and Roads - Grants to States	10.665	N.A.	48,546.71	97,093.42
Total U. S. Department of Agriculture			48,546.71	97,093.42
<u>U. S. Department of the Treasury</u>				
<u>Passed Through Alabama Department of Finance</u>				
COVID - 19 Coronavirus Relief Fund	21.019	N.A.		1,683,081.29
Total U. S. Department of the Treasury				1,683,081.29
<u>U. S. Election Assistance Commission</u>				
<u>Passed Through Alabama Secretary of State</u>				
COVID-19 Election Security Grants	90.404	N/A		15,022.37
Total U. S. Election Assistance Commission				15,022.37
<u>Other Federal Assistance</u>				
<u>U. S. Department of Justice</u>				
<u>Direct Program</u>				
Organized Crime Drug Enforcement Task Force	N.A.	N.A.		5,994.51
Total Other Federal Assistance				5,994.51
Total Expenditures of Federal Awards			\$ 48,546.71 \$	2,065,333.54

N.A. = Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Talladega County Commission under the programs of the federal government for the year ended September 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Talladega County Commission, it is not intended to and does not present the financial position or changes in net position of the Talladega County Commission.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Talladega County Commission has elected not to use the 10-percent de minimis indirect cost rate allowed in the *Uniform Guidance*.

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Additional Information

Commission Members and Administrative Personnel
October 1, 2019 through September 30, 2020

Commission Members

Term Expires

Hon. Kelvin R. Cunningham	Chairman	2024
Hon. Tony Haynes	Member	2022
Hon. Jackie Swinford	Member	Deceased
Hon. Greg Atkinson	Member	2020
Hon. Malley Limbaugh	Member	2022

Administrative Personnel

Patricia Lyle	Administrator	Indefinite
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Independent Auditor's Report

Members of the Talladega County Commission and County Administrator
Talladega, Alabama

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards*** issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Talladega County Commission, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Talladega County Commission's basic financial statements, and have issued our report thereon dated October 28, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Talladega County Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Talladega County Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Talladega County Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Talladega County Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

October 28, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Members of the Talladega County Commission and County Administrator
Talladega, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Talladega County Commission's compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on each of the Talladega County Commission's major federal programs for the year ended September 30, 2020. The Talladega County Commission's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Talladega County Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. **Code of Federal Regulations** Part 200, **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*Uniform Guidance*). Those standards and the *Uniform Guidance* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Talladega County Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Talladega County Commission's compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Opinion on Each Major Federal Program

In our opinion, the Talladega County Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

The Talladega County Commission's response to the noncompliance finding identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Talladega County Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Talladega County Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance referred to above. In planning and performing our audit of compliance, we considered the Talladega County Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Talladega County Commission's internal control over compliance.

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a significant deficiency.

The Talladega County Commission's response to the internal control over compliance findings identified in our audit is described in the accompanying Auditee Response/Corrective Action Plan. The Talladega County Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

October 28, 2021

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

Section I – Summary of Examiner's Results

Financial Statements

Type of report the auditor issued on whether the audited financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

 X Yes _____ None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*?

 X Yes _____ No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between

Type A and Type B programs:

\$750,000.00

Auditee qualified as low-risk auditee?

_____ Yes X No

Section II – Financial Statement Findings (GAGAS)

No matters were reportable.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

Section III – Federal Awards Findings and Questioned Costs

Reference Number:	2020-001
Compliance Requirement:	Allowable Costs
Type of Finding:	Internal Control and Compliance
Internal Control Impact:	Significant Deficiency
Compliance Impact:	Nonmaterial Noncompliance

CFDA Number and Title:	21.019 Coronavirus Relief Fund
Federal Awarding Agency:	U. S. Department of the Treasury
Federal Award Number:	None
Pass-Through Entity:	Alabama Department of Finance
Pass-Through Award Number:	None

Questioned Costs: \$21,665.98

Coronavirus Relief Funds were reimbursed in excess of the amounts allowed.

Finding

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* 2 CFR 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal Statutes, regulations, and the terms and conditions of the Federal award. The Compliance Requirements for the Coronavirus Relief Fund require funding to be used to cover the costs of necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Commission submitted reimbursement requests to the State to receive their share of Coronavirus Relief Funds. Testing revealed the following unallowable expenses claimed for reimbursement: of 25 payroll transactions tested, an incorrect pay rate was used to calculate one employee's salary, which resulted in questioned costs of \$151.60; it was also determined that an incorrect time distribution percentage was used for one employee's salary expense, which resulted in questioned costs of \$15,802.38; and errors were made when calculating the inmate housing expense reimbursement in 204 of 13,677 days, which resulted in questioned costs of \$5,712.00. Controls were not in place to ensure all reimbursement requests from Coronavirus Relief Funds were calculated correctly. As a result, the Commission received reimbursement from Coronavirus Relief Funds in excess of what was allowable.

Recommendation

The Commission should establish policies and procedures to ensure expenses claimed for reimbursement are allowable.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

Views of Responsible Officials

With the submission deadline for reimbursement requests from Coronavirus Relief Funds imminent, without clear guidance as to what expenses were eligible, the County submitted a reimbursement request for over two million dollars, one-thousand pages of supporting documents, and without sufficient time for adequate review. A separate opportunity for reimbursement of certain inmate costs was made available to the Sheriff's Office without sufficient time to assemble the requests and have it reviewed before submitting. The County does not disagree with the finding.

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Auditee Response/Corrective Action Plan

TALLADEGA COUNTY COMMISSION



Kelvin R. Cunningham
Chairman

1 COURT SQUARE
TALLADEGA, ALABAMA 35160
P.O. BOX 6170 (35161-6170)
PHONE 256 362-1357 • FAX 256 761-2147
commission@talladegacountyal.org



Patricia Lyle
Administrator

Auditee Response/Corrective Action Plan

For the Year Ended September 30, 2020

As required by the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 2 CFR 200.511(c), the Talladega County Commission has prepared and hereby submits the following Corrective Action Plan for the findings which are included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2020.

**Finding
Ref.
No.**

Corrective Action Plan Details

2020-001

Finding:

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 2 CFR 200.303 states the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal Statutes, regulations, and the terms and conditions of the Federal award. The Compliance Requirements for the Coronavirus Relief Fund require funding to be used to cover the costs of necessary expenditures incurred due to the public health emergency with respect to COVID-19. The Commission submitted reimbursement requests to the State to receive their share of Coronavirus Relief Funds. Testing revealed the following unallowable expenses claimed for reimbursement: of 25 payroll transactions tested, an incorrect pay rate was used to calculate one employee's salary, which resulted in questioned costs of \$151.60; it was also determined that an incorrect time distribution percentage was used for one employee's salary expense, which resulted in questioned costs of \$15,802.38; and errors were made when calculating the inmate housing expense reimbursement in 204 of 13,677 days, which resulted in questioned costs of \$5,712. Controls were not in place to ensure all reimbursement requests from Coronavirus Relief Funds were calculated correctly. As a result, the Commission received reimbursement from Coronavirus Relief Funds in excess of what was allowable.

Recommendation:

The Commission should establish policies and procedures to ensure calculations for amounts to be reimbursed are properly made.

Response/Views: With the submission deadline for reimbursement requests from Coronavirus Relief Funds imminent, without clear guidance as to what expenses were eligible, the County submitted a reimbursement request for over two million dollars, one-thousand pages of supporting documents, and without sufficient time for adequate review. A separate opportunity for reimbursement of certain inmate costs was made available to the Sheriff's Office without sufficient time to assemble the requests and have it reviewed before submitting. The County does not disagree with the finding.

Corrective Action Planned: As an additional measure of review, the County has adopted the following policy:

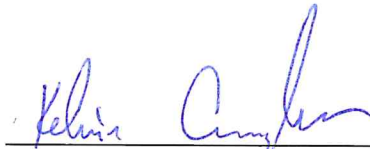
1. STATEMENT OF POLICY FOR ALL GRANTS

Any grant awarded to the Talladega County Commission, whether acting in the capacity of "recipient" or "fiscal agent," for a sub-recipient shall be administered by the County Commission's Finance Department. Grant applications, grant acceptances, grant drawdowns, or requests for funds shall be reviewed by the County Finance Department's Accounting Manager, and any necessary approvals made, prior to official submission to the granting agency. Grants subject to single audit requirements should be paid directly to the Talladega County Commission, as grantee. Direct federal ACH payments should be made through the portal using the Talladega County Commission SAM.gov registration. Federal payments by check (typically passed through a state agency) should be payable to the Talladega County Commission and mailed to PO Box 6170, Talladega, AL 35161.

Anticipated Completion Date: November 8, 2021

Contact Person(s):

Pat Lyle, County Administrator
P.O. Box 6170
Talladega, AL 35161
256-299-0730
Pat.lyle@talladegacountyal.org

A handwritten signature in blue ink, appearing to read "Kevin Campbell", is written over a horizontal line.

Chairman, Talladega County Commission